HOUSING MARKET OUTLOOK

Metro Victoria

Canada Mortgage and Housing Corporation

SPRING 2002

2002 at a Glance

- ***Victoria's housing markets heat up***
- ***Resale markets see strong sales***
- ***New homebuilding up, new condo demand growing***
- ***Rental markets still tight through 2002***
- ***New condo and new house markets balanced***
- ***Land sales slow, but edging up***

IN THIS ISSUE

Resale Market.....1
Sales and prices strengthening through 2002

New Home Market.....3
Recovery continues in 2002

Land Supply.....5
Land sales, prices edge up

Rental Market.....5
Rental market tight in 2002

Economic Overview.....6
Recovery slow, steady

Renovation Highlights.....7
Renovation markets brighten

CMHC Forecast Summary.....8

RESALE MARKET

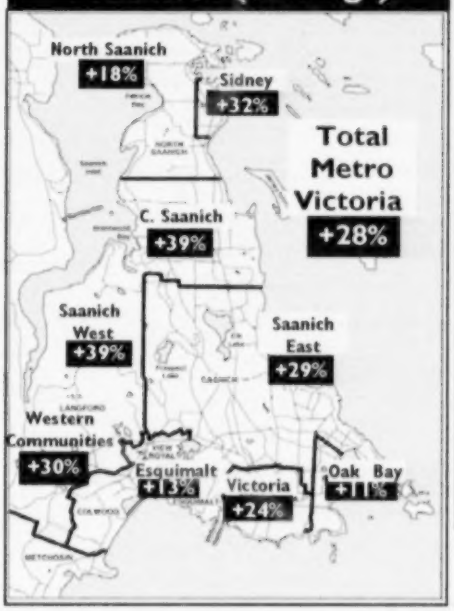
Sales jump, prices vary

MLS®[1] sales volumes for Metro Victoria will grow 12% this year after shooting up 32% in 2001. **Average prices for single family houses will trend up** but condominium and townhouse average prices will remain soft in the first half of 2002. **Single family home sales** are forecast to reach 4,585 in 2002, improving on the 4,090 deals in 2001. Condo apartment sales will also gain momentum while **townhouse sales edge up to 650 this year** from 607 in 2001 and 462 in 2000.

continued on page 2...

[1]Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association.

House Sales by Sub-market, 2000-2001 (%change)



Peggy Prill (250) 363-8045
CMHC Victoria - Market Analysis Fax: (250) 995-2640
Website: www.cmhc-schl.gc.ca

CMHC SCHL

HOME TO CANADIANS

Canada

Resale Market ...continued from page 1

MLS® Sales by Market

1st Quarter 2002, Metro Victoria

	Average House Price	Average Days to Sell	Average Size Sq. Ft.
Victoria City	$246,122	47	1,392
Oak Bay	$488,062	54	2,430
Esquimalt	$212,236	60	1,309
Saanich East	$290,353	52	2,143
Saanich West	$238,435	59	1,752
Central Saanich	$277,751	49	2,252
North Saanich	$350,123	90	2,668
Sidney	$289,348	54	1,614
Western Communities	$234,429	74	2,013

Source: Victoria Real Estate Board, CMHC Victoria

Single family house average prices rose 2.2% in 2001 as more high-end homes were sold to move-up buyers. This year, **average prices are forecast to escalate 4.2%** due to broader demand for all house types.

Metro Victoria first quarter 2002 **single family home sales are 47% ahead of** last year's levels. Last year, sales grew in all areas of Metro Victoria (see map on page 1), led by **jumps of 39% in both Central Saanich** and **Saanich West**. This year's hottest markets are **View Royal, Langford, North Saanich** and **Esquimalt**, with each posting an increase well over 50%.

The average selling price of a **single family home** in Metro Victoria is forecast at $270,000 in 2002, up 4.2% from $259,138 in 2001. **Prices are continuing the uptrend first noted in early 2001** when demand for homes picked up enough to draw down the number of active listings on the market.

Early this year, **active listings of single family homes dwindled to a 13-year low**, putting more upward pressure on prices. Low interest rates and rising consumer spending on housing pushed market demand higher than anticipated, causing the market to shift from balanced to favour sellers. Although more homes are now listed, the **a sellers' market is expected to continue through the balance of 2002**.

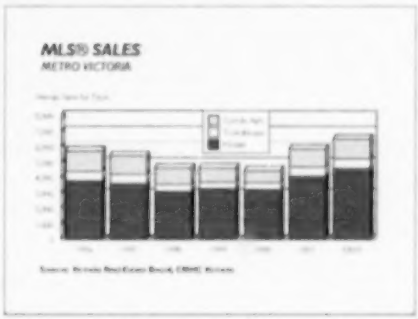
Year-to-date 2002 figures show a strong sales-to-active listings ratio for single family homes. Houses are taking an average of 49 days to sell, down from 78 last year. Sales are up 47% while the average sale price is up 9%. These **market indicators** show the single family house market now favours sellers, and is not expected to return to balanced conditions until next year.

Esquimalt Captures Biggest Share of Affordable House Market

Esquimalt was the most affordable market in first quarter 2002, with a median house price of $185,500.

Sidney and the **Saanich West** were close behind, at $199,000 and $205,500. **Victoria City** and **Western Communities** also saw their share of affordable homes change hands, with median prices from $214,500 to $217,000.

Oak Bay and **North Saanich** continued to lead the **trade-up market**, with median prices of $335,000 and $330,000. **Saanich East** and **Central Saanich** followed closely with median prices of $260,000 and $264,199.



Condo Markets Continue Recovery in 2002

Metro Victoria's **townhouse sales are** expected to trend up in 2002 following a 31% increase in 2001. Average townhouse **prices will level off** at $201,000 this year. Last year's listing oversupply has disappeared, **moving the market into balance** from buyers' market conditions seen over the past three years. Sales rose 38% in first quarter 2002 while new listings dipped 6%. Average prices are down 3% from first quarter 2001, indicating competitively-priced units are first to sell.

Metro Victoria's apartment condominium sales are up 63% over first quarter 2001, continuing last year's recovery when sales shot up 52%. This indicates a turnaround from the double-digit drops in 1999-2000. Buyers are keeping pace with sellers, resulting in **a balanced market**. Average prices are projected to inch up to $139,000 in 2002, just above 2001's $137,535. Prices dropped 3% in 1999, 5% in 2000 and 3% in 2001. Buyers continue to choose from a **variety of neighbourhoods, sizes, styles** and **prices**.

Mortgage Carrying Costs Level Off as Interest Rates Stay Low

Modest single family home price increases combined with declining interest rates meant **a drop in qualifying income** for purchasing a home in 2001. Last year, qualifying incomes for average-priced homes **dipped to $70,499** from $75,505 in 2000. **This year's qualifying income is forecast at $70,968**, little changed from 2001. More households qualified in late 2001 and early 2002 when interest rates were most competitive. Metro Victoria homebuying qualifying income calculations are based on actual interest rates, MLS average house prices to 2001 and CMHC forecasts for 2002 (see back page for details). ❖

Visit **www.housingaffordability.ca** for the latest on getting housing to market more affordably in B.C.'s Capital Region. **Housing Affordability Partnership (HAP)** is a cross-sectoral group working to highlight awareness of emerging housing issues and opportunities.

Contact **Lee F. King**, CMHC's Corporate Representative, for more details. (250) 363-8050 lking@cmhc-schl.gc.ca

NEW HOME MARKET

More Houses & Condos, Fewer Rentals in 2002

New homebuilding **will grow in most sectors this year** gaining strength from the recovery begun in 2001. **Ownership markets are forecast to lead the recovery in 2002,** taking over from rental construction which boosted starts last year.

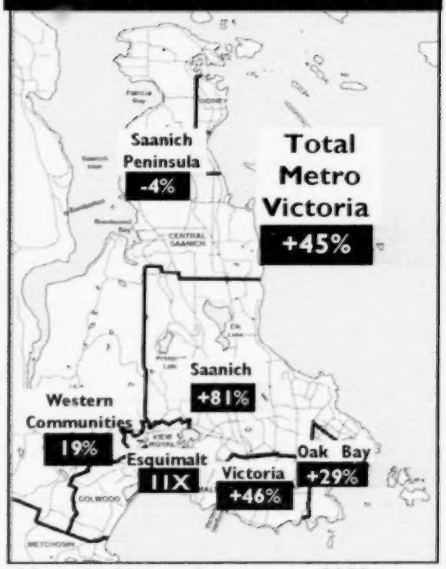
Interest from move-up and move-down buyers is strong this spring as sales prospects for their current homes improve with the resale market recovery. As well, some **first-time buyers are active** in the new home market as concerns about building envelope failures are addressed and as low interest rates improve affordability.

CMHC forecasts **1260 new home starts for Metro Victoria during 2002**. In 2001, 1264 new homes got underway, up 45% from 872 in 2000. Metro Victoria's improved levels of construction are tracking the B.C. homebuilding recovery.

New House Market Growing

New single family house starts are forecast to **approach 700 in 2002 after reaching 631 in 2001.** Last year's total came in well over totals for the previous three years which hovered at 520-530 annually.

New Housing Starts, 2000-01 (%change)



Housebuilding in first quarter 2002 is 79% above 2001 levels, with 199 new houses underway. This year's demand for new houses is boosted by **increased consumer confidence levels, strong resale market sales, employment growth, stable prices** and **low interest rates**.

The new **house market will remain balanced through the end of 2002,** as supply keeps pace with demand. **Inventories will stay low** as most new houses are sold before or during construction. A small but growing market for speculative building is anticipated. **High lot costs, development fees** and **financing restrictions** remain barriers.

This year, the **Western Communities** will again capture Metro Victoria's **largest market share of new house starts** taking half the total (up from 41% market share in 2001). **Saanich and Langford** are the strongest single municipalities, with a one-quarter share each of new housebuilding. Subdivisions are under development in **Sooke**, **View Royal**, **Langford**, **Colwood**, and **Saanich** - several with multi-year buildouts.

New House Prices Rising

Strong demand and higher building costs are **driving new house prices higher.** Last year, the median new house price edged up 2% and it is forecast to rise 5.5% this year. Despite the expected increases, median prices will remain below 1998's high of $325,000.

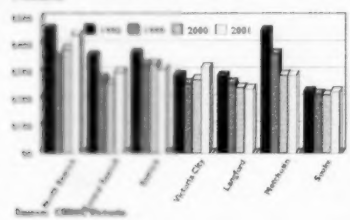
A wide range of new houses will be built this year, patterned after the diverse choices new homebuyers have had since 1999. Many new houses will get underway on affordable lots: the market for these modest new homes is **extremely price-sensitive**, keeping sale prices low despite rising costs.

Construction of **more modest houses** in **View Royal, Langford, Colwood** and **Sooke** is **keeping price increases in check. Saanich, North Saanich, Oak Bay** and large properties in the **Western Communities** will remain popular with the **luxury market**.

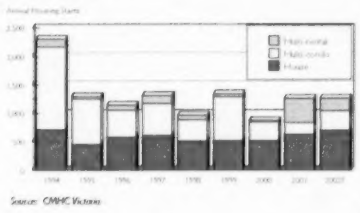
Prices for 1½-2 storey houses will edge up in 2002 with a forecast median of $299,000 compared with $295,000 last year. **New one storey house prices are expected to surge as more luxury retirement houses are built:** Half will be priced under $300,000, up from $260,000 in 2001.

continued on page 4...

MEDIAN NEW HOUSE PRICES BY AREA, METRO VICTORIA



NEW HOMEBUILDING
METRO VICTORIA



New Home Market... continued from page 3

New Townhouse Market to Edge Up in 2002

Eighty-five new townhouses are forecast to break ground this year. In 2001, just 63 new townhouses got started, compared with 76 in 2000.

During the first 3 months of 2002, **29 townhouses broke ground,** well ahead of the 9 started during the same period in 2001. This year's **new townhome inventories are just one-seventh of 2001 levels,** which will spur development of new projects.

New townhouse **projects continue to be held back** by **high land prices** stemming from a **shortage of suitably zoned and serviced sites**. Last year, 42% of new townhouses were built for the family market and **contained three or more bedrooms**. This year's market share of three bedroom units is forecast at 48%.

This year, median **prices are forecast to edge up 1.2% to $257,000 for a new three bedroom townhouse,** pushed higher by steady sales and limited supply of new units.

New Apartment Market Recovery in Gear

This year will see **new condo apartment starts more than double**, as 190 new suites are forecast to break ground. Meanwhile, **fewer new rental apartments will begin** on the heels of 2001's exceptional 421 starts. Apartment construction is facing an uneven recovery process due largely to slow demand for some product types. **Strong demand for luxury condo product and growing demand for affordable product in convenient locations** is driving building in these polarized categories.

Metro Victoria new condo apartment inventories have declined significantly from their 1999 high. **The market shifted in first quarter 2002 to balanced** from a long-term oversupply, a positive indicator.

Apartment condo starts are forecast to shoot up in 2002 from a dismal 85 units started in 2001. Apartment condo construction plummeted in 2000-2001 as condos started as much as three years ago **satisfied much of 2000-2001's low demand.**

Sales of new condo apartments exceeded completions by 17 units during first quarter 2001, which reduced inventories. Sales are expected to pick up, drawing down inventories through 2002. CMHC expects the **new condo apartment market** will **move to a temporary undersupply** in 2002 as construction lags rising demand.

Luxury condos will capture most of the 2002 market. **Loft style suites** and seniors' **life lease** apartments are seeing some interest, and are being built to satisfy the market niche for affordable units. Two bedroom suites priced over **$200,000**, captured the lion's share of last year's market and are expected to do well again in 2002.

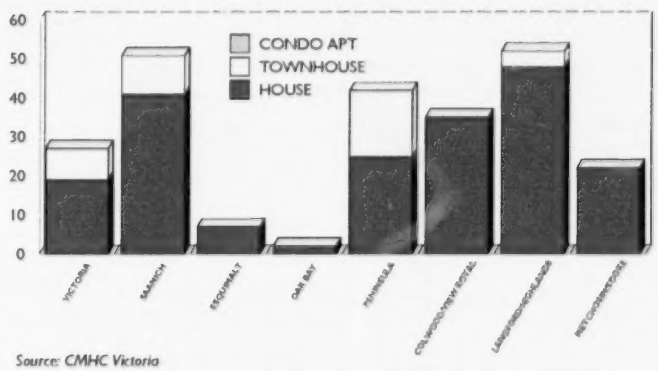
However, suites priced from $160,000 to $199,999 will also see strong interest this year.

Beginning in 2000, **market share of luxury apartments escalated** and **surpassed** mid range market share by a large margin. Condos in prime locations (waterfront or waterview) in the core municipalities led the price shift. This year will see shifting of that trend as **affordable** and **mid range product demand rises**.

Median new **apartment condo prices will edge up to $225,000** in 2002 after yo-yoing in 2000-01 due to shifts in product mix. **Prices shot up 46%** in 2000 as luxury suites proved more popular than affordable and mid range suites. Last year, median prices dipped 19% as **mid range apartment sales captured more market share**.

Currently, new condo buyers can choose from a narrowing selection of prices, styles and locations. **Most 2002 condos will be built on Saanich, Sidney, Esquimalt and Victoria City redevelopment sites.**❖

NEW HOUSING STARTS BY TYPE
BY AREA, METRO VICTORIA
January-March 2002



Source: CMHC Victoria

Single detached houses in Western Communities and Saanich take lead.

Land Sales Pick Up Slowly

Single family lot sales in Metro Victoria are **picking up this spring** in response to demand improvements.

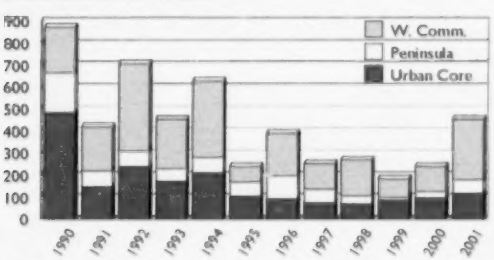
Higher prices were posted in recent lot sales in **Central Saanich** and **Langford**. Prices firmed in **Saanich**, but lost ground in **Colwood** and **North Saanich.** Despite modest upturns in new housing starts, prices have not yet recovered in most submarkets. The 2002 median price for serviced lots included **$157,900** in **Saanich**, **$140,000 in North Saanich, $173,000 in Central Saanich**, **$94,900** in **Langford, $105,000 in Colwood** and **$75,750** in **Metchosin**.

Sales of **multiple land sites** in Metro Victoria remained slow through 2001-2, reflecting record low starts levels of **new row and apartment projects.** Land prices per unit in 2002 range from **$18-28,000** for apartments to $37-65,000 for townhouses.

The land supply for single family dwellings showed significant improvement **in 2001** with additional lots created region-wide, and this trend will continue **as new starts recover**. The **Western Communities** will continue to provide the largest share of new single detached lots.

The ongoing **land shortage**, combined with high prices and financing restrictions will **continue to restrain the total supply in 2002**. Housebuilding is growing in 2002, and the region-wide lot supply constraint will **ultimately drive lot prices higher**. New subdivisions in **Colwood**, **Langford, Sooke** and **View Royal** will help supply single family homebuilding through 2002 and beyond. However, higher pressure on land prices over the medium term **will erode housing affordability** as the housing market recovery unfolds. ❖

HOUSE LOT CREATION BY AREA, METRO VICTORIA



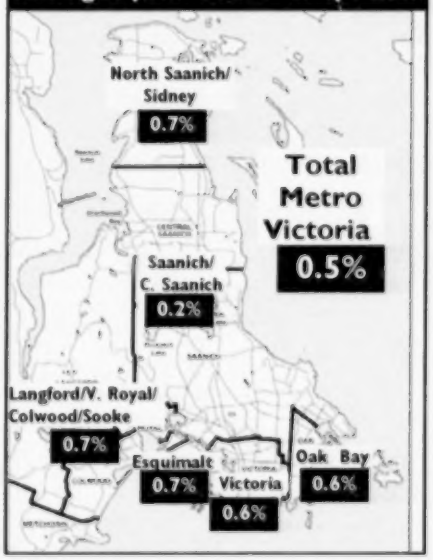
Graph: CMHC Victoria Data: CRD Development Review

Rental Markets Very Tight

Limited choice in rental apartments is expected through fourth quarter 2002. A vacancy rate of 1.0% is expected by October 2002. from 0.5% at October 2001. Average rent **increases will exceed 2.5% annually,** overtaking the inflation rate. Some choice of **apartments** will be available in most Metro Victoria submarkets through 2002, but finding **the right suite** will prove difficult. Low vacancies and rising rents will typify the **rental townhouse market** in 2002. CMHC's October 2001 survey indicated just 0.4% **townhouse vacancies,** reflecting constant strong demand for **ground-oriented family housing**.

Market rental construction will remain a small part of new multi-family projects in 2002. Ongoing barriers to new construction include **high land costs, municipal DCC's,** weak industry response to municipal incentives for affordable housing, and limited non-profit financing from government. The investment community will find these impediments render new rental construction **unviable**, thus will pursue other development opportunities such as **niche market, mixed-use or commercial projects**.

Victoria Rental Submarkets,2001
Average Apartment Vacancy Rates



B.C. RENTAL MARKET TRENDS

Get the latest updates on **Seniors' Housing** and **Rental Housing** markets by ordering CMHC's annual reports on local vacancies and rent trends.

- For an overview of what's currently available, or to order reports, call Lisa Preston (604) 737-4088 lpreston@cmhc-schl.gc.ca

Call CMHC Victoria for more details, or visit http://**www.cmhc.ca**

Economy: Slow Improvement

While mid-term prospects for the B.C. economy are positive, improvement during 2001 was slow and uneven. Migration numbers began to show **signs of improvement by third quarter 2001**, but other strong provincial economies such as **Alberta and Ontario** remain leaders. This year, CMHC anticipates **modest recovery** in the provincial economy, population growth and **in-migration**. B.C interprovincial migration posted a net outflow estimate of 11,000 people in 2001, slightly better than the 14,123 loss in 2000. Steady international migration (34-36,000 annually) will help offset a further 7000 loss in 2002. Small migration improvements will help drive **continued slow recovery** of the provincial housing market.

Victoria's **economy stabilized in 2001** with GDP growth of 1.0% in concert with a **weak provincial economy**. The Conference Board of Canada predicts GDP will grow 1.3-2.3% over the next three years in Victoria.

Employment is forecast to gain 2.6% this year after reducing 3.5% in 2001 due largely to part time and seasonal job loss. This year's gains are expected to be strongest in **goods producing, defense and primary industries,** while slow recovery will occur in **manufacturing, construction,** as well as **finance, insurance** and **real estate.** Negative growth is expected in **health care, public administration,** and **retail/wholesale trade.**

Metro Victoria's **unemployment rate** improved to 6.1% during 2001. The unemployment rate is expected to edge up slightly in 2002, in concert with **slow recovery in consumer confidence** which persists province-wide.

At March 2002, the **value of major capital projects** proposed, planned or under construction in Metro Victoria totalled **$1.22 billion**, above the $1.07 billion posted in autumn 2001. Major projects **scheduled to break ground in** 2002-03 include the **Marriott Hotel, Sooke Reservoir Expansion, Multi-purpose arena** and **Belleville St. Terminal redevelopment.**

Developments underway with **multi-year buildouts** include **Victoria International Airport expansion, Selkirk Waterway, Christmas Hill, Royal Jubilee Hospital Expansion, Mount St. Mary Hospital Replacement, Cordova Bay Road** residential and industrial complex and **Royal Bay Housing Development**.

The Metropolitan Victoria economy will continue to diversify in 2002, with the **high technology industry, distance learning** and **TV/Film production** playing major roles. Victoria is home to **BC's second largest technology market** after Vancouver. The technology sector will continue to drive revenues now fast approaching sales in the tourism sector. In 2002, the **tourism industry** will consolidate previous gains, following declines stemming from last year's terrorist events in America. **Ecotourism and strategic alliances** bolstered by high profile Royal BC Museum events and hotel expansions will help drive industry sales this year. Hotel occupancy rates were **off 1.1 %** in 2001, while Victoria Conference Centre **delegate days were down 19 % over 2000**. A facility expansion remains in long term plans.

Victoria International Airport and BC Ferry vehicle volumes between Tsawwassen and Swartz Bay **improved slightly 2000 performance**, despite reductions in some **airline feeder connections**. Tourism Victoria expects **limited improvements in tourism revenue** for 2002. Tourism employment in Victoria will **improve slowly** in concert with continued gradual recovery province-wide by 2002-2003.

Metro Victoria population is forecast to hit 313,500 next year, up 0.5% over 2001's total of 311,902. In 2002, net migration to Victoria will **follow B.C. trends**, levelling to 2,030 from similar levels in 2001.

Mortgage Rates Low

Upward pressure from the prime rate, money market, and short-term bond yields will push mortgage rates slightly higher in 2002, but they will remain low in terms of recent historical levels.

The outlook for mortgage rates is favourable **with the one-, three- and five-year mortgage rates in the 4.00-5.00, 6.00-7.00, and 7.00-8.00 per cent ranges, respectively**. Mortgage rate discounts will remain an important competitive instrument over the forecast horizon. ❖

ACT Now - CMHC announces winners

B.C. entries scooped 7 out of 15 recent national awards in the **Affordability and Choice Today** (ACT) initiative. ACT stimulates innovative regulatory reform to improve housing and communities. Partners in the program are **FCM, CHBA, CHRA** and **CMHC**; CMHC also provides financial support..

Call CMHC for more details, or check our website **http://www.cmhc.ca**

RENOVATION MARKET

RENOVATIONS GROWING IN 2002

The 2001 Metro Victoria renovation market saw mixed results compared with 2000, but renovations are again on the upswing this year. Last year, a larger proportion of **less expensive projects got underway**. This year, both project volumes and average renovation values will increase over 2001 levels.

The 2002 resale market recovery is pushing renovation activity higher. Some buyers prefer to **purchase and make improvements** to existing housing instead of buying new homes. Rising renovation volumes since 2000 mean more stability in both the **construction** and **real estate** sectors. High **development and lot costs** and an **aging housing stock** are pushing renovations higher in both value and volume this year in Victoria.

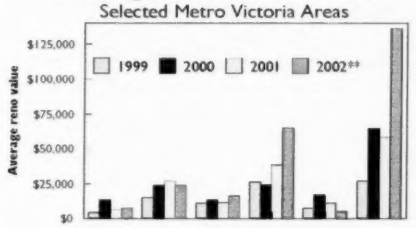
During 2001, the **number of building permits issued for residential renovations** in the **City of Victoria rose 12%** compared to 2000 while **Saanich's** permit tally grew 25%. The **Western Communities** renovation volumes rose 3% over the previous year. These three areas account for the bulk of all residential renovation permits issued in all of Metro Victoria.

Oak Bay permits increased 36% while **Esquimalt** fell 16%. Permit volumes in the Saanich Peninsula remained unchanged.

First quarter 2002 Metro Victoria average renovation values **surged 41% ahead of** 2001 levels. **Oak Bay** led area markets, with average residential renovation permit values of $136,629. **North Saanich** was next highest, at $65,235 followed by **Esquimalt** at $48,329 and **Central Saanich** at $39,100. **Saanich** permits averaged $23,523, while the **Western Communities** came in at $16,334. Average permit values in **City of Victoria**, **Sidney** and **View Royal** ranged from $5150 through $7547.

The long term trend to higher renovation spending reflects **more substantial projects** and, to a lesser extent, **rising materials costs**. Current homeowners and new purchasers are renovating for **home offices**, secondary suites and **media rooms**, as well as more traditional **kitchen, bathroom, deck, basement** and **attic/additions**. ❖

Average Renovation Values
Selected Metro Victoria Areas



*Includes Colwood, Langford & Sooke
**2002YTD Jan-Mar SOURCES: Municipal Building Permit Repo

2002 B.C. REPORTS AVAILABLE NOW!

Find out what to expect this year in other markets with CMHC's **Housing Market Outlook Spring 2002** editions; track the new home market with CMHC's monthly/quarterly **Housing Now** publications for Vancouver, Vancouver Island, Okanagan and other B.C. markets.

- to subscribe, contact Lisa Preston, CMHC British Columbia and Yukon Business Centre, (604) 737-4088, lpreston@cmhc-schl.gc.ca
- sharpen your market edge with more of CMHC's products and services, call Lee F. King, Peggy Prill or Suzanne Schrader at CMHC Victoria (250) 363-8040.
- for housing information, check our website http://**www.cmhc.ca**

Victoria *Housing Market Outlook* is published twice annually for new home and resale markets; issues are released in the Spring and Fall of each year. To **subscribe** for $40 annually or to order single reports, call **CMHC Victoria Market Analysis at (250) 363-8040.**

For further Market Analysis information **contact Peggy Prill** (250) 363-8045.

*Canada Mortgage and Housing Corporation, Suite 150, 1675 Douglas Street Victoria, B.C., V8W 2G5 Telephone: (250) 363-8040 Fax: (250) 995-2640 E-mail: **pprill@cmhc-schl.gc.ca***

Aussi disponsible en français

Product Code 7527E

CMHC FORECAST SUMMARY

Victoria Metropolitan Area

April 2002

RESALE MARKET	1999	2000	2001F	2002F	Chg
MLS® Listings	8,820	8,857	8,667	8,800	1.5%
MLS® Sales					
Single-family	3,288	3,220	4,090	4,585	12.1%
Townhouse	457	462	607	650	7.1%
Condo Apartment	892	768	1,169	1,280	9.5%
TOTAL	*4,637*	*4,450*	*5,866*	*6,515*	*11.1%*
MLS® Price					
Single-family	$249,919	$251,398	$259,138	$270,000	4.2%
Townhouse	$201,168	$203,584	$202,366	$201,000	-0.7%
Condo Apartment	$150,356	$142,513	$137,535	$139,000	1.1%

NEW HOME MARKET					
Starts					
Total	1,340	872	1,264	1,260	-0.3%
Single-family	531	531	631	695	10.1%
Semi	67	71	63	70	11.1%
Townhouse	131	76	64	85	32.8%
Condo Apartment	566	174	85	190	123.5%
Rental	45	20	421	220	-47.7%
Complete & unoccupied (monthly average)					
Total	357	288	268	220	-17.9%
Single-family	80	81	90	85	-5.6%
Townhouse	40	29	19	17	-10.5%
Condo Apartment	184	141	124	90	-27.4%
Median New Home Price					
Single-family	$282,000	$279,900	$285,350	$301,000	5.5%
3 Bed. Townhouse	$249,225	$253,450	$253,975	$257,000	1.2%
2 Bed. Condo Apt	$187,750	$274,500	$221,500	$225,000	1.6%

RENTAL MARKET				
Vacancy Rate (Oct.)	3.6%	1.8%	0.5%	1.0%
% Increase in apartment rents	1.0%	0.7%	2.4%	2.9%

ECONOMIC OVERVIEW				
Mortgage Rate (3 yr.)	7.38%	8.17%	6.88%	6.47%
Employment Growth	4.1%	0.6%	-3.5%	2.6%
Net Migration	1,950	1,750	2,150	2,030

F = CMHC Forecast

© 2002 Canada Mortgage and Housing Corporation. All rights reserved. No portion of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, electronic, photocopying, recording or otherwise without the prior written permission of Canada Mortgage and Housing Corporation. Without limiting the generality of the foregoing, no portion of this publication may be translated from English into any other language without the prior written permission of Canada Mortgage and Housing Corporation. The information, analyses and opinions contained in this publication are based on various sources believed reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibilities.